

**ASSEMBLY BILL**

**No. 531**

**Introduced by Assembly Member Kehoe**  
(Principal coauthor: Senator Torlakson)  
(Coauthors: Assembly Members Diaz, Levine, and Lieber)

February 18, 2003

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An act to add Chapter 6 (commencing with Section 63090) to Division 1 of Title 6.7 of the Government Code, relating to financing community infrastructure and economic development, by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 531, as introduced, Kehoe. Community Infrastructure and Economic Development Bond Act of 2004.

Existing constitutional and statutory provisions set forth procedures for the issuance of general obligation bonds. Under existing law, the California Infrastructure and Economic Development Bank is established within state government to make secured loans and undertake related activities for the purpose of financing projects that relate to infrastructure improvements.

This bill would enact the Community Infrastructure and Economic Development Bond Act of 2004, which, if adopted, would authorize the issuance, for the purposes of financing local infrastructure and economic development projects, of bonds in the amount of \$10,000,000,000 pursuant to the State General Obligation Bond Law.

The act would be administered by the California Infrastructure and Economic Development Bank.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Chapter 6 (commencing with Section 63090) is added to Division 1 of Title 6.7 of the Government Code, to read:

CHAPTER 6. COMMUNITY INFRASTRUCTURE AND ECONOMIC  
DEVELOPMENT BOND ACT OF 2004

Article 1. General Provisions

63090. This chapter shall be known and may be cited as the Community Infrastructure and Economic Development Bond Act of 2004.

63091. (a) The Legislature finds and declares all of the following:

(1) Local governments have widespread and urgent infrastructure needs. The neglect of our infrastructure is documented by studies from the California Business Round Table, the Treasurer, and the Governor's Commission for Building in the 21st Century, with estimated infrastructure investment deficits of between eighty-two billion dollars (\$82,000,000,000) and ninety billion dollars (\$90,000,000,000). These needs will only be compounded by the demands of a projected 660,000 new residents each year.

(2) To handle the state's projected growth, attract quality jobs, and maintain California's famous quality of life, we must improve our foundation by doing all of the following: replace and expand sewer systems, increase and use water supplies more efficiently; replace low-density urban patterns with more compact development; expand investments in public transportation; build affordable housing close to employment centers; and protect our natural environment.

1 (3) Under the existing system of local finance, however,  
2 California's cities lack the tools to make these needed investments  
3 without facing the almost insurmountable two-thirds vote  
4 threshold—a threshold not faced by state ballot measures. This  
5 threshold was lowered by the voters to 55 percent for local school  
6 bonds, and to match state school bonds.

7 (4) An investment in the repair and upgrading of local  
8 infrastructure is an investment in California's future because the  
9 quality of life in California depends on upgrading and improving  
10 the condition of local infrastructure to appropriately accommodate  
11 the state's existing population and future increases in population.

12 (5) These investments to upgrade and improve the quality of  
13 life in our communities will assist California to remain  
14 competitive in both the national and global economy. The quality  
15 of life in our state begins in its communities. It is necessary for  
16 public policy to support the efforts of businesses attempting to  
17 expand, businesses seeking to locate in California, and local  
18 economic development organizations, public agencies, and new  
19 entrepreneurs by dedicating public fiscal resources to confront  
20 obstacles and barriers that impede economic growth.

21 (6) The state has not embarked on a major infrastructure  
22 financing effort since the 1960s, despite persistent unemployment  
23 and soaring population growth.

24 (7) Investing in infrastructure today will pay dividends in the  
25 long term. Upgraded local sewer systems, parks, streets and roads,  
26 and other critical infrastructure will improve quality of life and  
27 promote job development and economic opportunities while  
28 addressing state and regional issues and priorities.

29 (8) Establishing a sufficient source of state financing that will  
30 be made available to local governments through grants and  
31 low-interest loans through the California Infrastructure and  
32 Economic Development Bank over a 10-year period, will create  
33 both public and private incentives to invest in local infrastructure.  
34 State funds will leverage local financing sources and assist  
35 communities to repair and upgrade key locally identified  
36 infrastructure and community development projects which will  
37 enhance local quality of life and expand the local economy.

38 (9) Notwithstanding the current fiscal climate, the state must  
39 take immediate steps to address the needs of our deteriorating local  
40 infrastructure. The current economic climate indicates that this is

1 a favorable time to incur bonded indebtedness. Prevalent interest  
2 rates for financing are at historic lows, favoring long-term public  
3 investments.

4 (10) Despite the state’s economic woes California voters have  
5 demonstrated—through their recent approval of major school,  
6 housing, and water bonds—that they understand the importance of  
7 investing in their future.

8 (11) California voters have demonstrated in recent statewide  
9 elections that they understand that significant investments in  
10 schools, transportation, parks, libraries, water supplies, and public  
11 works pay handsomely over the long term in improved quality of  
12 life.

13 (12) It is the purpose of this bond act to provide a dependable  
14 and predictable available source of infrastructure financing for  
15 local infrastructure and economic development projects.

16  
17 Article 2. Community Infrastructure and Economic  
18 Development Program  
19

20 63092. The definitions contained in this section are in  
21 addition to the definitions contained in Section 63010 and together  
22 with the definitions contained in that section shall govern the  
23 construction of this chapter, unless the context requires otherwise:

24 (a) “Account” means the Community Infrastructure and  
25 Economic Development Bond Act Account established pursuant  
26 to Section 63093.

27 (b) “Infrastructure project” means “public development  
28 facility” as that term is defined in subdivision (q) of Section  
29 63010.

30 63093. (a) The proceeds of bonds issued and sold pursuant to  
31 this chapter shall be deposited into the Community Infrastructure  
32 and Economic Development Bond Act Account, which is hereby  
33 established as a separate account within the Infrastructure Bank  
34 Fund and administered by the bank.

35 (b) Unless otherwise specified, the money in the account shall  
36 be available for allocation by the bank and only for infrastructure  
37 projects and reasonable bank administrative costs allocable to the  
38 infrastructure projects. Money in the account may be allocated by  
39 the bank as either grants or loans, or as a mixture of grants and  
40 loans for infrastructure projects of a sponsor, in a manner which



1 the bank determines will provide for the maximum leverage of  
2 local public and private funds, while promoting a balanced  
3 geographic distribution among sponsors. A maximum grant or  
4 loan under the program shall not exceed twenty-five million  
5 dollars (\$25,000,000) but this limit may be exceeded based upon  
6 a unanimous vote of the board for a project deemed by the bank  
7 to meet a critical regional need.

8 63094. Funds shall only be distributed to infrastructure  
9 projects that are determined by the bank to be consistent with the  
10 state planning priorities listed in subdivision (a) of Section  
11 65041.1 and the criteria developed pursuant to Sections 63040 and  
12 63041.

13 63095. The bank shall give a significant priority to  
14 infrastructure projects incorporating one or more of the following:

15 (a) An infrastructure project identified by a council of  
16 governments pursuant to a regional comprehensive planning  
17 process that will address an imbalance between jobs and housing  
18 within the region.

19 (b) An infrastructure project that will expand a community's  
20 ability to accommodate increased residential densities.

21 (c) An infrastructure project that will create opportunities for  
22 additional private investment to expand the supply of jobs in areas  
23 of high unemployment or where a significant percentage of the  
24 existing residents commute a significant distance to jobs in other  
25 communities.

26 (d) An infrastructure project that will increase residential and  
27 commercial uses within the vicinity of a rail station or a permanent  
28 transit stop served by local public ground transportation.

29 (e) An infrastructure project that will increase local quality of  
30 life because it will improve or expand within an urban setting  
31 either park space, open space, habitat protection, or recreational  
32 opportunities.

33 63096. (a) Funds in the account shall provide not more than  
34 50 percent of the cost of an infrastructure project, except as  
35 otherwise specified by this section. The account may fund up to 75  
36 percent in instances where the infrastructure project meets at least  
37 two of the criteria listed in Section 63095.

38 (b) Notwithstanding subdivision (a), the bank may reduce or  
39 waive the requirement for a local match pursuant to this section if  
40 it has determined based upon substantial evidence submitted by

1 the sponsor, that the local agency is unable to secure local  
2 matching funds, or can otherwise demonstrate a significant local  
3 financial hardship which limits the ability to meet the local match  
4 requirement for grant funds, but the proposed infrastructure  
5 project would be of significant local or regional benefit, consistent  
6 with the intent of this chapter.

7 63097. The Bureau of State Audits shall conduct periodic  
8 audits to ensure that bond proceeds are awarded in a manner  
9 consistent with the requirements of this chapter, and that recipients  
10 of bond proceeds are using funds in compliance with applicable  
11 provisions of this chapter.

### 12 13 Article 3. Fiscal Provisions 14

15 63100. Bonds in the total amount of ten billion dollars  
16 (\$10,000,000,000), not including the amount of any refunding  
17 bonds issued in accordance with Section 63111, or so much thereof  
18 as is necessary, may be issued and sold to provide a fund to be used  
19 for carrying out the purposes set forth in Section 63093, and to be  
20 used to reimburse the General Obligation Bond Expense  
21 Revolving Fund pursuant to Section 16724.5. The bonds, when  
22 sold, shall be and constitute a valid and binding obligation of the  
23 state, and the full faith and credit of the state is hereby pledged for  
24 the punctual payment of the principal of, and interest on, the bonds  
25 as the principal and interest become due and payable.

26 63101. The bonds authorized by this chapter shall be  
27 prepared, executed, issued, sold, paid, and redeemed as provided  
28 in the State General Obligation Bond Law (Chapter 4  
29 (commencing with Section 16720) of Part 3 of Division 4 of Title  
30 2), and all of the provisions of that law apply to the bonds and to  
31 this chapter and are hereby incorporated in this chapter as though  
32 set forth in full in this chapter.

33 63102. The board is “the committee” and “the board” as  
34 those terms are used in the State General Obligation Bond Law.

35 63103. The board shall determine whether or not it is  
36 necessary or desirable to issue bonds authorized pursuant to this  
37 chapter to carry out Section 63093 and, if so, the amount of bonds  
38 to be issued and sold. Successive issues of bonds may be  
39 authorized and sold to carry out those actions progressively, and



1 it is not necessary that all of the bonds authorized to be issued be  
2 sold at any one time.

3 63104. There shall be collected each year and in the same  
4 manner and at the same time as other state revenue is collected, in  
5 addition to the ordinary revenues of the state, a sum in an amount  
6 required to pay the principal of, and interest on, the bonds  
7 maturing each year. It is the duty of all officers charged by law with  
8 any duty in regard to the collection of the revenue to do and  
9 perform each and every act that is necessary to collect that  
10 additional sum.

11 63105. Notwithstanding Section 13340, there is hereby  
12 appropriated from the General Fund, for the purposes of this  
13 chapter, an amount that will equal the total of the following:

14 (a) The sum annually necessary to pay the principal of, and  
15 interest on, bonds issued and sold pursuant to this chapter, as the  
16 principal and interest become due and payable.

17 (b) The sum necessary to carry out Section 63106, appropriated  
18 without regard to fiscal years.

19 63106. For the purposes of carrying out this chapter, the  
20 Director of Finance may authorize the withdrawal from the  
21 General Fund of an amount or amounts not to exceed the amount  
22 of the unsold bonds that have been authorized to be sold for the  
23 purpose of carrying out this chapter. Any amount withdrawn shall  
24 be deposited in the account. Any money made available under this  
25 section shall be returned to the General Fund from proceeds  
26 received from the sale of bonds for the purpose of carrying out this  
27 chapter.

28 63107. Pursuant to the State General Obligation Bond Law  
29 (Chapter 4 (commencing with Section 16720) of Part 3 of Division  
30 4 of Title 2), the cost of bond issuance shall be paid out of the bond  
31 proceeds.

32 63108. (a) Actual cost incurred in connection with  
33 administering infrastructure projects authorized under Section  
34 63093 shall be paid from the funds authorized by this chapter.

35 (b) Administrative costs shall be limited to one percent of the  
36 total amount of the bonds issued.

37 63109. The board may request the Pooled Money Investment  
38 Board to make a loan from the Pooled Money Investment Account,  
39 in accordance with Section 16312 for purposes of carrying out this  
40 chapter. The amount of the request shall not exceed the amount of



1 the unsold bonds that the board, by resolution, has authorized to  
2 be sold for the purpose of carrying out this chapter. The bank shall  
3 execute any documents required by the Pooled Money Investment  
4 Board to obtain and repay the loan. Any amounts loaned shall be  
5 deposited in the account to be allocated by the board in accordance  
6 with this chapter.

7 63110. All money deposited in the account that is derived  
8 from premium and accrued interest on bonds sold shall be reserved  
9 in the fund and shall be available for transfer to the General Fund  
10 as a credit to expenditures for bond interest.

11 63111. The bonds may be refunded in accordance with Article  
12 6 (commencing with Section 16780) of Chapter 4 of Part 3 of  
13 Division 4 of Title 2 which is a part of the State General Obligation  
14 Bond Law. Approval by the voters of the state of the issuance of  
15 the bonds described in this chapter includes the approval of the  
16 issuance of any bonds to refund any bonds originally issued under  
17 this chapter or any previously issued refunding bonds.

18 63112. Notwithstanding any other provision of this chapter or  
19 the State General Obligation Bond Law, if the Treasurer sells  
20 bonds pursuant to this chapter that include a bond counsel opinion  
21 to the effect that the interest on the bonds is excluded from gross  
22 income for federal tax purposes, subject to designated conditions,  
23 the Treasurer may maintain separate accounts for the investment  
24 of bond proceeds and the investment earnings on those proceeds.  
25 The Treasurer may use or direct the use of those proceeds or  
26 earnings to pay any rebate, penalty, or other payment required  
27 under federal law or to take any other action with respect to the  
28 investment and use of bond proceeds required or desirable under  
29 federal law to maintain the tax-exempt status of those bonds and  
30 to obtain any other advantage under federal law on behalf of the  
31 funds of this state.

32 63113. The Legislature finds and declares that, inasmuch as  
33 the proceeds from the sale of bonds authorized by this article are  
34 not “proceeds of taxes” as that term is used in Article XIII B of  
35 the California Constitution, the disbursement of these proceeds is  
36 not subject to the limitations imposed by that article.

37 SEC. 2. Section 1 of this act shall take effect upon the  
38 approval by the voters of the Community Infrastructure and  
39 Economic Development Bond Act of 2004, as set forth in Section  
40 1 of this act.





1 SEC. 3. (a) The Secretary of State shall submit Section 1 of  
2 this act to the voters on the statewide general election in November  
3 of 2004.

4 (b) The Secretary of State shall include, in the ballot pamphlets  
5 mailed pursuant to Section 9094 of the Elections Code, the  
6 information specified in Section 9084 of the Elections Code  
7 regarding the bond act contained in Section 1 of this act. If that  
8 inclusion is not possible, the Secretary of State shall publish a  
9 supplemental ballot pamphlet regarding this act to be mailed with  
10 the ballot pamphlet. If the supplemental ballot pamphlet cannot be  
11 mailed with the ballot pamphlet, the supplemental ballot pamphlet  
12 shall be mailed separately.

13 SEC. 4. (a) Notwithstanding any other provision of law, with  
14 respect to the Community Infrastructure and Economic  
15 Development Bond Act of 2004, all ballots at the election shall  
16 have printed thereon and in a square thereof, exclusively the  
17 words: "Community Infrastructure and Economic Development  
18 Bond Act of 2004" and in the same square under those words, the  
19 following in 8-point type: "This act provides ten billion dollars  
20 (\$10,000,000,000) to address local infrastructure and economic  
21 development needs. (At this point, the Attorney General shall  
22 include the financial impact summary prepared pursuant to  
23 Section 9087 of the Elections Code and Section 88003 of the  
24 Government Code)." Opposite the square, there shall be left  
25 spaces in which the voters may place a cross in the manner required  
26 by law to indicate whether they vote for or against the act.

27 (b) Notwithstanding Sections 13247 and 13281 of the  
28 Elections Code, the language in subdivision (a) shall be the only  
29 language included in the ballot label for the condensed statement  
30 of the ballot title, and the Attorney General shall not supplement,  
31 subtract from, or revise that language, except that the Attorney  
32 General may include the financial impact summary prepared  
33 pursuant to Section 9087 of the Elections Code and Section 88003  
34 of the Government Code. The ballot label is the condensed  
35 statement of the ballot title and the financial impact summary.

36 (c) Notwithstanding Section 13282 of the Elections Code, the  
37 public shall be permitted to examine the condensed statement of  
38 the ballot title in subdivision (a) for not more than eight days, and  
39 the financial impact statement from the time it is received by the  
40 Secretary of State until the end of the eight days. Any voter may

1 seek a writ of mandate for the purpose of requiring any statement  
2 of the ballot label, or portion thereof, to be amended or deleted  
3 only within that eight-day period.

4 (d) Where the voting in the election is done by means of voting  
5 machines used pursuant to law in a manner that carries out the  
6 intent of this section, the use of the voting machines and the  
7 expression of the voter's choice by means thereof are in  
8 compliance with this section.

9 SEC. 5. This act is an urgency statute necessary for the  
10 immediate preservation of the public peace, health, or safety  
11 within the meaning of Article IV of the Constitution and shall go  
12 into immediate effect. The facts constituting the necessity are:

13 In order that the Community Infrastructure and Economic  
14 Development Bond Act of 2004, set forth in Section 1 of this act,  
15 may be enacted by the Legislature at the earliest possible time to  
16 ensure a thorough review of the act by the public prior to it being  
17 submitted to the voters at the general election in November 2004,  
18 it is necessary that this act take effect immediately.

19

20 CORRECTIONS

21 **Heading — Lines 2, 4.**

22

23

